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Senate Bill _____
By _____

House No. HB1812
By Davis

AN ACT to clarify that the sales and use tax exemptions and reduced rates applicable to purchases made by manufacturers of tangible personal property for resale do not apply to a contractor whose principal business is the performance of contracts to improve realty, and to amend Tennessee Code Annotated, Sections 67-6-102, 67-6-209, and 67-1-1802

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

Section 1. Tennessee Code Annotated, Section 67-6-102, is amended by deleting subsection (7) in its entirety and by substituting instead the following:

(7) "Fabricating or processing tangible personal property for resale" means only tangible personal property which is fabricated or processed for resale and ultimate use or consumption off the premises of the one engaging in such fabricating or processing:

Section 2. Tennessee Code Annotated, Section 67-6-209, is amended by adding at the end of subsection (c) the following new language:

However, the transfer of tangible property by a contractor who contracts for the installation of the tangible personal property as an improvement to realty does not constitute a sale and the contractor shall not be permitted to obtain the benefit of any

exemptions or reduced tax rates available to manufacturers under T.C.A. Section 67-6-206 or 67-6-102(23)(E).

Section 3. Notwithstanding the Tennessee Code Annotated, Section 67-1-1802, sales or use taxes paid prior to the effective date of provisions of this act on purchases or sales to a contractor whose principal business is the improvement of real property shall not be refunded when based upon the industrial machinery exemption provided by T.C.A. Section 67-6-206, the energy fuels, electricity and water reduced rates or exemption provided by T.C.A. Section 67-6-206 or the industrial materials exemption provided in T.C.A. Section 67-6-102(23)(E) unless a property documented refund claim is filed within thirty days of the effective date of this act.

Section 4. This act shall take effect upon becoming a law, the public welfare requiring it.